



By Facsimile: 1-212-500-4888 original to follow by Federal Express

July 19, 2007

Mr. Shimmy Zimels
President and Chief Executive Officer
deltathree, Inc.
75 Broad Street, 31st Floor
New York, NY 10004

Re: OEM License and Distribution Agreement Notice of Termination

Dear Mr. Zimels:

deltathree, Inc. ("deltathree") is a licensee of Global IP Solutions, Inc. (fka Global IP Sound, Inc.) ("GIPS") voice technology pursuant to the OEM License and Distribution Agreement dated 19 August 2005 ("License Agreement"). All terms not otherwise defined herein shall be as defined in the License Agreement.

This is to advise you that the License Agreement shall terminate on July 31, 2007 ("Termination Date") due to material breach by deltathree as follows:

1. Failure to provide an accurate Royalty Report of the number of Incremental Active Users for the calendar quarter ending December 31, 2006 in breach of Article 9.1 Reports and Forecasts.
2. Failure to provide a Royalty Report of the number of Incremental Active Users within 30 days after the end of the calendar quarter ending March 31, 2007 in breach of Article 9.1 Reports and Forecasts.
3. Failure to pay Royalties in the amount of US\$1.00 for each Incremental Active User for the calendar quarter ending December 31, 2006 in breach of Article 8.2 Fees and Royalties and Appendix C.2 Royalties.
4. Failure to pay Royalties of US\$1.00 for each Incremental Active User for the calendar quarter ending March 31, 2007 in breach of Article 8.2 Fees and Royalties and Appendix C.2 Royalties.
5. Failure to cooperate fully with GIPS and its auditors PricewaterhouseCoopers in connection with the current audit of deltathree's Combined Products user data records in breach of Article 9.3 Audits.

In respect to items 3. and 4. above deltathree representatives including yourself have stated to representatives of GIPS that deltathree will not honor the terms of the Agreement to pay GIPS the amount of US\$1.00 for each Incremental Active User.

Accordingly, effective the Termination Date deltathree shall: (i) cease the further marketing, sale and distribution of the Combined Products containing the embedded GIPS Integrated Programs; and (ii) return or destroy all copies of the GIPS Integrated

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Programs or Combined Products (including copies resident in deltathree's computer systems) and certify in writing to GIPS such return or destruction within ten (10) days of the termination.

This is to advise you that GIPS reserves the right to take any and all further legal action necessary to enforce its rights under the License Agreement.

Sincerely yours,

A handwritten signature in black ink that reads 'Glen R. Jones'.

Glen R. Jones

Counsel

cc: Effi Baruch, Senior Vice President of Operations and Technology deltathree, Inc.

William Sharninghausen, Chief Financial Officer GIPS

Edward M. Abbati, Executive Vice President of Operations GIPS

Jonathan M. Cohen, Esq. Winston & Strawn LLP

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